



Update on Tiered Water Rates

February 11, 2016

Public Works Commission



Rate Structure Background

- Council considered and tabled on January 5th
- Requested further information prior to return
 - Immediately
 - Create plan to address budget gap
 - Additional Actions
 - Financial and Efficiency Audit
 - Review multi-family and commercial impacts
 - Evaluate potential rate smoothing scenarios
 - Community Involvement



Today's Objective

- Review new rate schedule
- Discuss and develop interim budget gap recommendation for City Council on February 16th



Projected Schedule

	Feb	March	April	May	June	July	Aug	Sept	Oct
Immediate									
Budget Adjustments to Council	✗								
Second 5% Increase	✗	★							
Revised Rate									
Community Outreach	HOA, Commercial, Single Family								
Efficiency/Financial Audit	Contracting		Audit/Report						
Council and Commission Review & Approval				Commission		Liaison Notice		✗	★



The Gap

- Staff report indicates a shortfall of \$4M
- As part of preparations for mid-year review to Council, Finance identified \$703,000 of salary savings in July-Dec in the Water Fund
- Updated shortfall is \$3.3M



Interim Budget Adjustment

- Met with Rates Sub-Committee met on February 3rd
 1. Reviewed budget shortfall
 2. Developed options for discussion
- Three short-term options to address gap
 1. Delay Capital projects
 2. Use reserves
 3. Identify additional revenue sources
- Recommendation - one or a combination



Delay Capital Projects

- Postpone issuance of contracts for budgeted capital projects
- Pro's
 - Protects reserves
- Con's
 - Short term increased risk (water main failures)



Use Reserves

- Continue with Capital projects and utilize reserves for short term funding source
- Pro's
 - Capital projects continue to move forward
- Con's
 - Does not hit financial reserve targets



Additional Revenue

- Transfers from General Fund for under market property leases
- Pro's
 - Possible long range increased revenue (Lease)
 - Protects reserve and capital
 - Protects financial targets, debt coverage
- Con's
 - May take longer to implement



Potential Recommendations

1. General fund reimbursement for La Cienega water property lease
2. Lease additional underutilized water properties (Robertson Yard)
3. Prioritize the WEP projects (Central basin, conservation) over existing annual Rehab capital projects
4. Use the existing capital project delay as toggle to eliminate over expenditures until new rate established
 1. Water Main and Hydrant Rehab
 2. Reservoir and Pump Station Rehab



Discussion